



Statement of Ms. Ann Sullivan

**On Behalf Of
Women Impacting Public Policy**

**Submitted to
House Government Reform Committee
House Small Business Committee**

**“Northern Lights and Procurement Plights: The Effect of the ANC
Program on Federal Procurement and Alaska Native Corporations”**

June 21, 2006

Good afternoon, my name is Ann Sullivan. I represent Women Impacting Public Policy in Washington DC. Women Impacting Public Policy (WIPP) is a bipartisan women's business organization representing over 550,000 women and minorities nationwide. WIPP's umbrella includes 42 business organizations as well as individual members. Thank you for inviting WIPP to testify today.

As background, 10.6 million women-owned firms in the United States employ one out of seven employees in this country and generate \$2.5 trillion in sales. Yet, the federal government has awarded only 3% of its contracts to women-owned companies as of 2004. Although the Congress set a 5% women-owned goal for the agencies, they have never met that goal. In addition, Public Law 106-554, which would allow contracting officers to restrict competition to women-owned firms, has yet to be implemented. That law was enacted in the year 2000.

For the past several years, WIPP members have felt the competitive pinch of increased federal programs for non-women-owned businesses. We have also felt the effects of contract bundling. Despite the President's initiative in 2002 which clearly stated that unbundling of contracts was a priority of this Administration, the trend has proven otherwise. In 2002, the Office of Management and Budget (OMB) reported that for every \$100 awarded on a bundled contract, there is a \$33 decrease to small businesses. They went on to say, that because these types of contracts "run longer and encompass a greater scope, competition is reduced in terms of frequency and number of opportunities" for small businesses.

Despite strong evidence that bundling is not good for small business or the government, a 2004 Government Accountability Office (GAO) Report No. 04-454 “Impact of Strategy to Mitigate Effect of Contract Bundling on Small Business is Uncertain” shows that federal agencies are confused over what constitutes “contract bundling” which results in poor accountability and disparity in reporting. While 928 bundled contracts were captured in the Federal Procurement Data System (FPDS), only 24 of those contracts were reported to the GAO.

According to a 2005 SBA Office of Inspector General Audit, the SBA reviewed only 13% of bundled contracts reported by the agencies (28 out of 220). The 192 bundled contracts not reviewed amounted to \$384 million. SBA cited a lack of resources in reviewing the bundled contracts. With the retiring workforce and the decrease in the number of procurement officials, contracts have generally become larger and less accessible to small businesses.

The agencies have a challenge—meeting their small business requirements with larger contracts. One solution, according to the GAO report which is the subject of this hearing, is for procuring agencies to set aside the procurements under the 8(a) program for tribally owned enterprises, including Alaska Native Corporations (ANC s).

However, WIPP’s members have lost opportunities to ANCs, both at the prime contract level and at the subcontract level. That is because they are not subject to the same affiliation rules and competitive thresholds to which other businesses participating in the 8(a) program adhere. Specifically, 8(a) businesses can receive sole source contracts for up to \$5 million for manufacturing or \$3 million for other contracts. In contrast, the ANCs have no threshold. For other 8(a) companies, procurements must be

competed whenever possible before being accepted on a sole-source basis, but procurements can be sole sourced to ANCs without the need to be competed. Neither are ANCs subject to the same small business affiliation standards as other small businesses.

It seems to us that Congress should consider treating all participants in the 8(a) program equally, and they should all adhere to the same rules. Perhaps this is not the right program for the ANCs and similar organizations, since the 8(a) program is a business development program but the ANC program is an economic development program for communities. While the economic goals for the ANCs seem appropriate, trying to fit them into the 8(a) program is like trying to fit a square peg in a round hole.

In the absence of Congressional changes in the 8(a) program, WIPP believes that the challenge is to find a way whereby the ANCs and tribes can coexist with the other women and minority owned small businesses. We believe that the following recommendations, which strengthen all programs, would be a helpful step forward:

1. Establish a subcontracting requirement for very large contracts -- such as \$20 million awarded sole source to ANCs or tribes -- able to receive a sole source contract under small business programs;
2. Strengthen the 8(a) program for all participants by increasing the competitive thresholds and the personal net worth level which has not been changed since 1989.
3. Provide SBA with the tools necessary to review solicitations being placed into the 8(a) program to determine adverse impact on other 8(a) companies or other small

business programs. SBA is currently doing such analysis, but lacks the resources to do it in all instances.

WIPP members understand that although ANC's benefit from contract bundling and procurement workforce staffing issues, ANC's are not the source of these problems. Nor do ANC's dominate the overall small business market. In fact, their \$1.1 billion in 8(a) contract dollars during 2004 is a fraction of the \$69.2 billion awarded to all small business. The GAO report sheds light on contracting problems affecting all small businesses and SBA's lack of resources and staff to implement good oversight of the 8(a) program.

The goal should be for all groups to work together to increase the amount of awards to small businesses, regardless of race, ethnicity or gender, and to implement a meaningful women's business program. If the small business community moves forward collectively to increase the source of supply to the federal government, the result will be a stronger America.